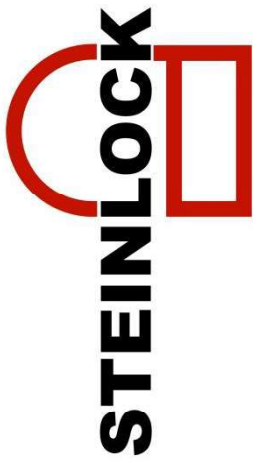


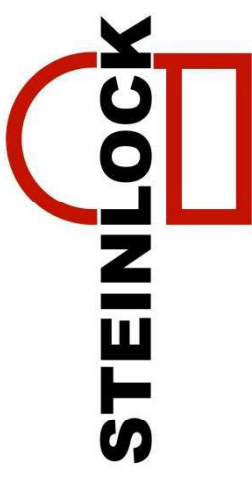
Sales Channels



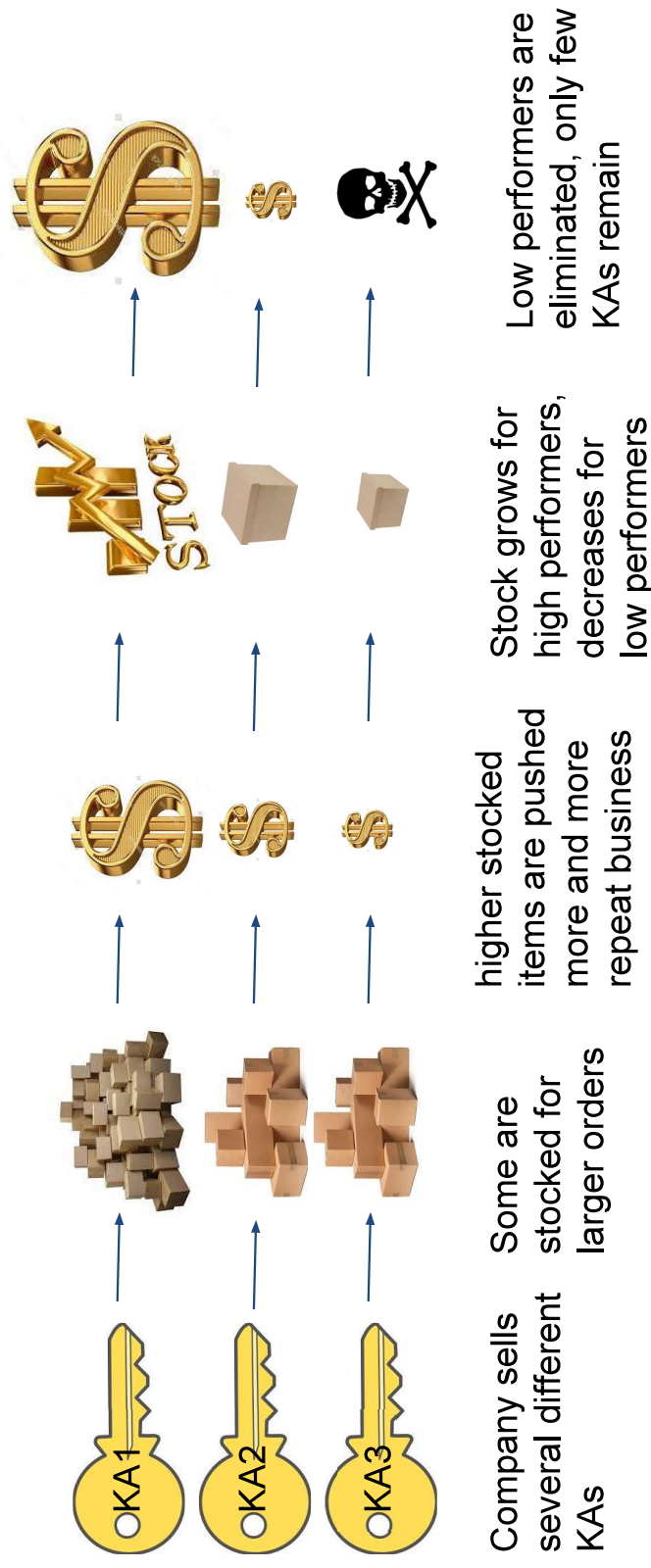
- **Hardware:** Small and large chains cater to contractors, utility companies and the government. They usually carry just a few lines of padlocks in the economy line and commercial grade.
- **DIY & Retail:** Everything needs to be blister packaged. Here KA locks are sold in multipacks with maximum of 5 keyed alike locks in a pack.
- **Locksmith:** Sells rekeyable padlocks (like 83 series) and standard padlocks as a cheaper over the counter option. Usually commercial grade locks with some economy mixed in.
- **Storage:** Usually KD locks, unless there are many multi-unit tenants

KA and MK locks are sold mainly through locksmith distribution, locksmiths and the hardware channel. They are also sold directly from the manufacturer to the government or larger industrial/commercial entities.

Market Situation: DISASTROUS keyed alike sales strategies

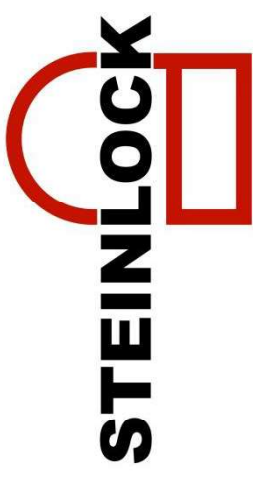


- Companies only stock a limited amount of KA numbers per lock series
- KAs sold to every customer
- There is a **detrimental, self reinforcing effect:**



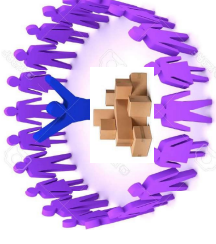
Result: Market Remains with almost **ZERO** diversification:
EVERYONE HAS THE SAME KEYS

Market Situation: DISASTROUS keyed alike sales strategies

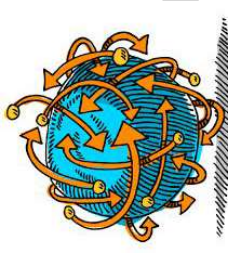


Local Stores cannot provide out of the box diversified KA solutions

Many customers with low volume in the same area
→ unprofitable stocking disasters.



National Players are overwhelmed by their complicated logistics and stocking systems.
Security is not their core business
→ unable to supply individual solutions

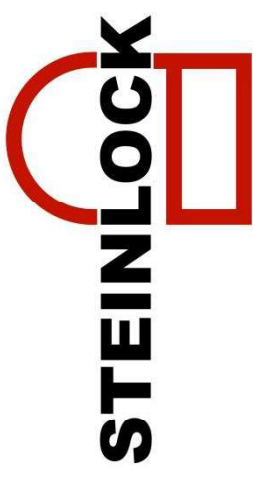


RESULT: Only a few keys will almost certainly open most (standard) padlocks in any given city.

For KA numbers DIVERSITY means SECURITY. The current practice is one of the bodies in the basement in the security industry.

Picking and local key control is irrelevant, if a key can just be bought.

Steinlock Solution



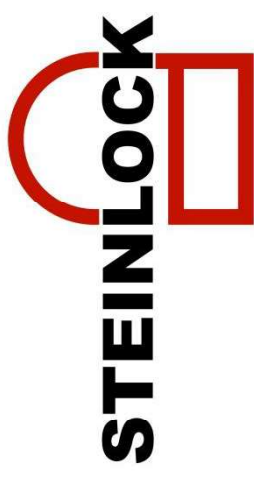
Sell exclusive KA numbers to customers. The exclusivity will range from:

- Standard - Zip Code exclusivity for every customer in common keyway
- Advanced - Statewide and national exclusivity in common keyway
- Gold - Zip Code exclusivity in exclusive profile
- Platinum - National exclusivity in exclusive profile

How does it work?

- Steinlock tracks all sales of all KA numbers with exclusive Zip Code.
- A high number of Steinlock exclusive KAs are stocked in Virginia and only shipped to areas where any given KA is not in use yet.
- Steinlock can ship replacements within 24h while maintaining exclusivity and avoiding monstrous stock levels.

Steinlock Solution - Challenges



Main issues to overcome

- Customers are not informed
 - great story for direct marketing campaigns - people want to know if they are not secure.
- Customers are highly financially committed to current KA and MK systems
 - targeted marketing initiatives (buyback and outlet program)
- Price
 - need highly competitive pricing to gain market share
- Logistics and service → customized ERP for secure order tracking

What about the competition?

- Competition lack ability for logistics (technical/financial barrier)
- Lack of knowledge about the problem and how to solve it
- Only economically solvable by national players
- Solution would be an admittance of guilt and cannibalize sales - cannot have it both ways. KAs also lock in Distributors not only customers